

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 /108 W
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R 131816Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5453
INFO ALL EC CAPITALS
DOE WASHDC

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USEEC

PARIS ALSO FOR OECD

E.O.11652: N/A
TAGS: ENRG, EEC
SUBJECT: EC COMMISSIONER BRUNNER'S MARCH 10 MEETING WITH
OIL COMPANIES

REF: (A) BRUSSELS 4568 (B) BRUSSELS 2493

1. A SENIOR OFFICIAL IN THE EC COMMISSION DIRECTORATE
FOR OIL AND NATURAL GAS IN DG-XVII GAVE THE MISSION THE
FOLLOWING QUICK RUNDOWN OF THE MARCH 10 MEETING BETWEEN
EC COMMISSIONER BRUNNER AND PETROLEUM COMPANIES:

A. HE NOTED THAT ALL COMPANIES OR ASSOCIATIONS INVITED
WERE PRESENT. BRUNNER OPENED THE MEETING BY EXPLAINING
THE COMMISSION'S PROPOSALS TO HELP RESOLVE SOME OF THE
COMMUNITY'S OIL REFINERY AND MARKETING PROBLEMS.

B. THE FIVE SO-CALLED EUROPEAN OIL COMPANIES (CFP,
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ELF/AQUITAINE, ENI, PETROFINA, VEBA) RESPONDED BY
ENDORING THE COMMISSION'S PROPOSALS WITH ONLY PETROFINA
SUGGESTING AN EXTENSION OF THE COMMISSION'S PROPOSALS.
PETROFINA SAID THESE SHOULD ALSO PROVIDE FOR "LISTED
PRICES" FOR PETROLEUM PRODUCTS.

C. REPRESENTATIVES FROM INDEPENDENT ITALIAN REFINERIES
FELT THE COMMISSION'S PROPOSALS WERE IN THE RIGHT

DIRECTION BUT DID NOT GO FAR ENOUGH. THEY URGED: (1) STRONGER EC CONTROLS TO ALLOCATE REFINERY THROUGHPUT; (2) RESTRICTIONS ON IMPORTS OF PETROLEUM PRODUCTS; (3) FINANCIAL AID FOR COMPANIES WHICH HAVE ALREADY CLOSED DOWN EXISTING REFINERY CAPACITY; AND (4) STRICTER EC REGULATIONS TO PREVENT CONSTRUCTION OF NEW REFINERIES AND TO ENFORCE CLOSURE OF EXCESS REFINERY CAPACITY.

D. ONLY 3 OF THE AMERICAN COMPANIES PRESENT RESPONDED (MOBIL, EXXON AND GULF) WITH CAREFULLY WORDED STATEMENTS. THEY REPORTEDLY WELCOMED THE COMMISSION'S CONCERN REGARDING THE EXISTING UNFAVORABLE PETROLEUM SITUATION IN THE EUROPEAN COMMUNITY, BUT AGREED WITH THE COMMISSION THAT THE SITUATION IN THE OIL REFINING INDUSTRY IS NOT AS SERIOUS AS IT IS IN TEXTILES AND STEEL INDUSTRIES. THEY ALSO AGREED WITH BRUNNER'S OPENING STATEMENT THAT IT IS PRIMARILY UP TO THE COMPETITIVE OIL INDUSTRY ITSELF TO RESOLVE ITS PROBLEMS. THEY ASSURED BRUNNER THAT THEY WERE PREPARED TO CONTINUE TO COOPERATE WITH THE EC COMMISSION AND TO PROVIDE APPROPRIATE INFORMATION ON THE OIL SECTOR. THEY POINTED OUT, HOWEVER, THAT THE COMMISSION'S PROPOSALS TO RATIONALIZE REFINERY THROUGHPUT "GAVE THEM CONCERN" BECAUSE OF POSSIBLE IMPLICATIONS UNDER US ANTI-TRUST REGULATIONS AND ALSO BECAUSE THESE PROPOSALS APPEARED CONTRARY TO THE PHILOSOPHY OF FREE COMPETITION PREVAILING IN THE EC.

E. SHELL ALSO NOTED POSSIBLE PROBLEMS WITH US ANTI-TRUST LIMITED OFFICIAL USE

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LAWS AND ASKED FOR GREATER FLEXIBILITY IN THE COMMISSION'S REFINERY THROUGHPUT PROPOSAL IF IT SHOULD BE APPLIED. BP'S RESPONSE WAS SOMEWHAT AMBIGUOUS, BUT CONVEYED THE IMPRESSION THAT BP WOULD BE WILLING TO ACCEPT THE REFINERY THROUGHPUT PROPOSAL. BP ALSO SUGGESTED THE FORMATION OF A SMALL GROUP OF OIL EXPERTS FROM A FEW OIL COMPANIES OPERATING IN THE COMMUNITY (APPARENTLY SIMILAR TO THE INDUSTRY ADVISORY BOARD WITH THE IEA), BUT THIS IDEA WAS OPPOSED BY SEVERAL COMPANIES AND APPARENTLY DROPPED.

F. ALL COMPANIES WERE AGREEABLE TO CONTINUING CONSULTATIONS WITH THE EC COMMISSION, BUT ONLY ON A BILATERAL BASIS WITH NO MORE GROUP MEETINGS.

G. THE AMERICAN COMPANIES AND SHELL MADE IT CLEAR, HOWEVER, THAT THEY WOULD BE UNABLE TO HAVE ANY FURTHER DISCUSSIONS WITH THE COMMISSION ON VOLUNTARY LIMITATIONS ON REFINERY THROUGHPUT WITHOUT USG CLEARANCE.

2. OUR COMMISSION SOURCE SAID THAT THE PRIMARY PURPOSE OF THE MEETING WAS TO EXPLAIN THE COMMISSION'S PROPOSALS AND TO OBTAIN REACTIONS FROM THE PETROLEUM INDUSTRY. HE SAID THAT WHILE MOST COMPANY SUGGESTIONS WILL NOT BE ACTED ON, BRUNNER INTENDS TO PROCEED WITH THE CONSULTA-

TIONS TO "RATIONALIZE" REFINERY THROUGHPUT EVEN THOUGH THE EC ENERGY COUNCIL SCHEDULED FOR MARCH 21 HAS NOW BEEN CANCELLED AND HIS PROPOSALS HAVE NOT RECEIVED THE GENERAL BLESSING OF THE MEMBER STATES. THE COMMISSION WILL WRITE THE COMPANIES REFERRING TO THE NOVEMBER/DECEMBER 1977 ROUNDS OF COMMISSION/INDUSTRY CONSULTATIONS AND INVITING THE COMPANIES TO HOLD FURTHER BILATERAL CONSULTATIONS REGARDING THEIR PRODUCTION PLANS.

3. SINCE THE BRITISH HAD TOLD DIRECTOR-GENERAL FOR ENERGY WILLIAMS ON MARCH 10 THAT THEY WOULD BE "UPSET" IF THE COMMISSION PROCEEDED WITH ITS SCHEME TO IMPROVE THE EC PETROLEUM REFINERY SITUATION THROUGH CONSULTATIONS

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WITH THE COMPANIES, OUR SOURCE SAID BRUNNER WILL WRITE UK MINISTER OF ENERGY BENN TO EXPLAIN THAT THE PROPOSED CONSULTATIONS ARE A CONTINUATION OF THOSE WHICH HAVE TAKEN PLACE LAST FALL AND EARLIER. BRUNNER IS ALSO TO STRESS TO BENN THAT THE COMMISSION ONLY INTENDS TO REVIEW THE GENERAL DEMAND FOR OIL PRODUCTS WITH EACH COMPANY. THE COMPANIES WOULD BE FREE TO ADJUST THEIR OUTPUT ON AN INDIVIDUAL AND VOLUNTARY BASIS. MORRIS

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